

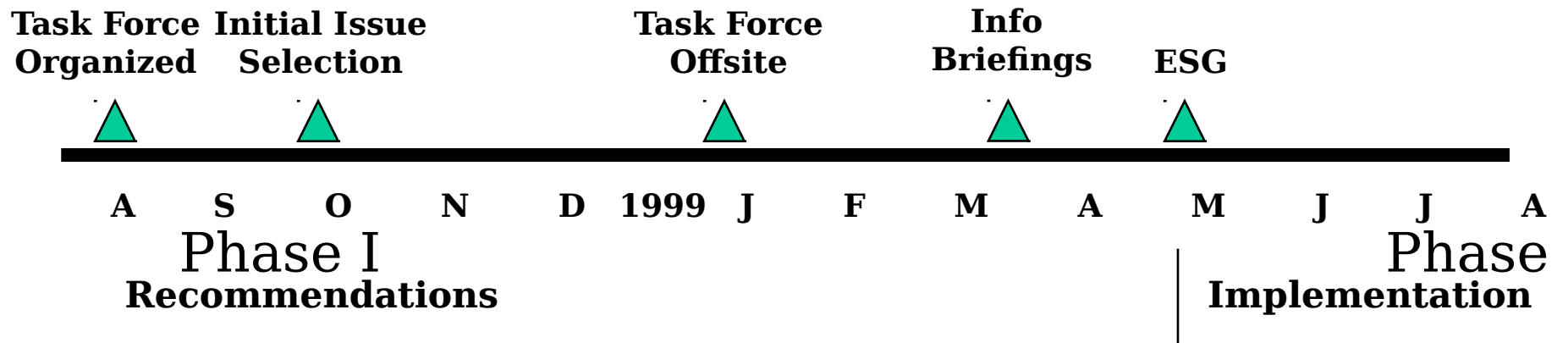
DWCF Reform Task Force

ESG Decision Brief

DWCF Reform Task Force Charter

Task Force Established August 20, 1999
recommendations/propose alternatives to the S

The DWCF Reform Task Force is established to propose DWCF improvements that will improve the delivery of goods and services to DWCF customers. There are **no boundaries on the scope of the review**. However, reforms to the DWCF must preserve the Department's ability to meet war fighting requirements as well as its ability to request and account for funds that satisfies the Comptroller's needs and is acceptable to the Congress.

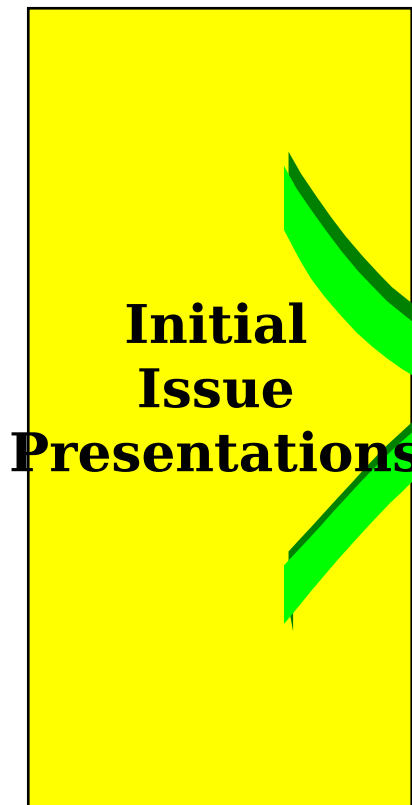


Task Force Events

- Completed Pre-brief to DoD Leadership
 - MIL-5 Programmers
 - Logistics Reform Senior Steering Group
 - DWCF Policy Board
- Completed Prebrief ESG Members
- Completed Information Brief to DEPSECDEF
- Completed ESG Decision Briefing

Task Force Issue Evolution

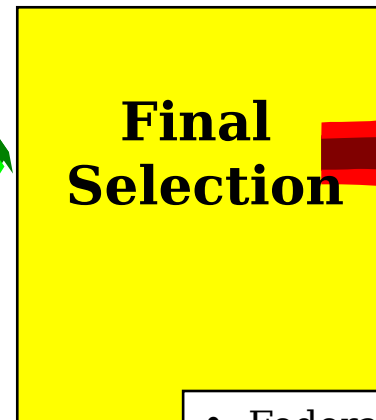
40 Issues



26 Issues



13 Issues



ISSUE PAPER FORMAT

- Issue Description
- Background
- Problem Statement
- Recommendations
- Implementation Concerns
- Resource Implications

11 Issues

2 Issues Complete

- Federal Government Corporation
- DWCF Programming FEA

Recognize that one size does not fit all

Final Task Force ~~Recommendations~~

Rate Setting / Pricing

- Change Pricing Structure
- Rate Stability
- DWCF Criteria

Best Business Practices

- Workforce Flexibility
- Realign Statutes for Partnering
- Direct Fund Competed Workload
- Direct Fund Activities Slated for Closure
- Change DLR Accounting Policy
- Non-financial Performance Measures

System Improvements

- Financial/Functional Systems
- DWCF Programming (complete)

Independent Study

- Improved DWCF Education
- Federal Government Corporations (no action required)

Change Pricing Structure

Task Force Recommendations:

- Allow “marginal” pricing supplemented by recovery of fixed costs.
- Modify FMR to insure military unique features are excludable from DWCF rates.
- Establish a budget exhibit and justification process to firmly establish unutilized and underutilized plant capacity and war mobilization funding requirements.

- **ESG Recommendation:** Allow components to propose through the normal budget process prototypes that collect total cost through means other than price.
- OUSD(C) develop budget exhibit to identify plant capacity and mobilization requirements.

Rate Stability

Task Force Recommendation: Permit Services holding Anti-Deficiency Act responsibilities the ability to reduce, but not increase, rates (except fuel) during execution in instances where cost reduction actions permit rate changes (or gain sharing) without jeopardizing budgeted operating results or Service cash positions. Activity Groups without Anti-Deficiency Act responsibilities may submit price changes to the Anti-Deficiency holder for consideration. Price changes by Defense Agencies and TRANSCOM will require prior OSD Comptroller approval. When cost reductions are not achieved

- the activity group will submit corrected rate adjustments at the next available opportunity.
- ~~Maintain the status quo. Both price decreases and~~ increases cause problems. Increases disrupt the benefits of stabilized pricing to flying hour program (and others). Decreases would risk voiding DoD's stable price protection with Congress.

DWCF Criteria

Task Force Recommendations:

- Do not add new activities to the DWCF until an adequate cost accounting capability is available which links costs with outputs.
- All DWCF activities must have a cost accounting capability by FY2003.
- Refine Buyer/Seller criteria to require a demonstrable advantage. Conduct periodic viability review of buyer/seller -- remove business activities where appropriate.

ESG Recommendation:

- DWCF Policy Board re-evaluate DWCF criteria and develop procedures for conducting a periodic review of each DWCF activity's ability to meet the DWCF criteria.
- DWCF Policy Board enforce the DWCF criteria for any new activities entering the fund. For current activities, review those that do not have a cost accounting capability by FY2003. Report findings and/or recommendations to DEPSECDEF.

Workforce Flexibility

Task Force Recommendations:

- Repackage the flexible workforce legislative proposal; renew initiative for legislative change.
- Allow new non-permanent appointments when available.
- Convert permanent positions to non-permanent status as positions are vacated.

ESG Recommendation:

- P&R resubmit the flexible workforce legislative proposal to include a more aggressive use of non-permanent positions.

Realign Statutes

Task Force Recommendations:

DWCF Policy Board and legal advisors form a group of WCF experts to:

- Review statutes and draft language to align the policies of each;
- Submit language proposals to Congress for FY01 enactment;
- Review and recommend changes to DoD implementing guidance.

ESG Recommendation:

- ~~Beginning in the Spring 2000, the DWCF Policy Board in concert with OUSD(A&T), review and recommend changes to DEPSECDEF for implementing guidance that provides a clear set of options and instructions for pursuing public-private partnering business relationships.~~

Competed Workload

Task Force Recommendations:

- Develop procedures to separately identify and account for competed workloads.
- Allow components the option to direct fund competed workload won.
- USD(C) and the Air Force test procedures; DWCF Policy Board review results prior to changing policy to permit direct funding.

ESG Recommendation:

- Air Force develop and test procedures and submit proposed policy changes to the DWCF Policy Board for review and approval.

Activities Slated for Closure

Task Force Recommendations:

- Change WCF policy to allow alternative (direct) funding of WCF activities slated for closure; remove such funding from rate-based expense elements. (Work remaining prior to activity closing could be direct funded by customers or performed on a reimbursable basis.)
- Use the POM and BES review to realign customer funding for direct purchases.

ESG Recommendation:

- DWCF Policy Board review and revise policy to allow for the direct funding of DWCF activities slated for closure.

DLR Inventory Accounting

Task Force Recommendations:

- Allow weighted average inventory accounting procedures for all or part of supply management; Air Force take the lead and apply as direct operating changes or as a Reinvention Lab initiative.
- Create a new category of secondary items (DLRs), if desired, and treat them as a limited form of non-depreciable assets that cycle between customers and supply management.

ESG Recommendation:

- Air Force submit revised DLR inventory accounting procedures (including the concept of non-depreciable assets) to the DWCF Policy Board for review and approval.

Performance Measures

Task Force Recommendations:

- Jointly develop balanced financial and functional performance measurements that recognize business, readiness and sustainment objectives; report in POM and budget submissions.
- Publish expanded performance measure guidance that blends financial and functional requirements; encourage DWCF activities to structure employee performance plans around the metrics.

- ESG Recommendation:
- The FMR should be revised to assist components with these objectives.
 - The Services should review existing measures and develop/implement as necessary improved financial and functional performance reporting requirements for all DWCF activities. In six months, the Services report back to the DEPSECDEF through the DWCF Policy Board.

Managing Costs and Cash

Task Force Recommendations:

- Revise AR(M) 1307 accounting reports and develop distributed data warehouse ...explore interim web access.
- DFAS provide future capability for ad hoc report queries and provide support to components in revising/creating reports.
- Component logistics system improvements plans include better cost data for DWCF managers, reduce the need for reconciliation, and enhance cost analysis tools.

ESG Recommendation:

- DEPSECDEF direct Components to augment logistics system improvement plans to include better cost data for DWCF managers, reduce reconciliation, and enhance cost analysis tools.
- OUSD(C) lead a joint review/update of the AR(M) 1307 report.
- DFAS develop plans for improving customer access to ad hoc queries and financial data/reports.

DWCF Education

Task Force Recommendations:

- Develop a Managers and Consumers Guide to DWCF handbook that provides the “ground rules” for effectively using the DWCF as a management tool.
- Compliment the Handbook with improved DWCF “schoolhouse” training and other appropriate modular training materials using training seminars, CD-ROM, web-based, or other applicable technology.

ESG Recommendation:

- OUSD(C) develop a Managers & Consumers Guide to DWCF operations.
- DWCF Policy Board review current status of DWCF education in the major training pipelines and develop a plan for improving curriculums and creating alternative forms of access.

Federal Government Corporations

Independent Study Recommendations:

- Provide sufficient resources to accomplish a detailed feasibility analysis of having a Federal Agency adopt the Federal Government Corporation structure.
 - Identify a selected DoD organization, based on the feasibility assessment, to serve as a pilot in converting to a Federal Government Corporation.
 - Establish an oversight board to manage the pilot effort and to develop a sound charter that covers the associated legal, structural, financial and policy issues.
- Support proposals through the DMC for alternative organizational structures, such as a Federal Government Corporation